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TriQuest Energy Corp.

2000 Annual Report

Corporate Profile

TriQuest Energy Corp. is a Calgary-based, junior resource company engaged in the exploration, development and production of oil and natural gas. The Company focuses on its core area in west-central Alberta, where it continues to establish a position to explore for longer-life, liquids-rich natural gas and light-to-medium gravity conventional oil reserves. Incorporated in 1996 as Corker Resources Inc., a new management team was put in place in May of 1999, and the Company name was changed in July of 1999 to TriQuest.

The common shares of TriQuest trade on the Canadian Venture Exchange, under the symbol "TRI". As at April 30, 2001 the Company had 35,045,000 shares issued and outstanding, and had granted 3,180,000 options to its key employees and to its directors.

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Annual Meeting

The Annual General Meeting of Shareholders will be held on Thursday, June 14, 2001 at 10:00 a.m. in the Royal Room at the Metropolitan Centre, 333 - 4th Avenue S.W., Calgary, Alberta. All Shareholders are encouraged to attend.

MESSAGE TO THE SHAREHOLDERS

At this time last year, we spoke about the change in direction of the Company with the presence of a new management team, and about the need to build momentum by generating prospects and assembling a land base in west-central Alberta. Notwithstanding the extremely competitive nature of the industry, we believe that we have made significant headway towards our goals and continue to implement our business strategy. We remain confident that our long term strategies to build the Company are sound.

Given its small production base, and the dedication of a large portion of its natural gas portfolio to marketing aggregators, TriQuest has enjoyed limited benefits from the strong commodity prices of the past year. At the time of the $12 million equity financing in September of 1999, Management had anticipated that having such a large reserve of capital would provide it with another competitive advantage in establishing a land and prospect base in our core area of west-central Alberta. While we believe that we have come a long way to establishing such a base, on balance the commodity prices have made operations more difficult for TriQuest and slowed our progress. We face greater competition in acquiring Crown mineral rights, and in trying to secure land deals from existing owners. Lack of accessibility to drilling and service equipment has delayed planned operations, and when available, these services have become more expensive. We were disappointed to have spent only $3.6 million during the year when the Board of Directors had authorized capital expenditures of $8.5 million, but felt it prudent to maintain a disciplined approach to the evaluation and capture of prospects.

Operational and Financial Highlights

Capital expenditures during 2000 were $3.6 million. Of this total, 37% was expended on drilling and completion operations, 28% was directed towards the purchase of mineral rights, and 24% was invested to purchase properties where potential exists to develop additional horizons. The Board has approved a capital budget of $9.0 million for 2001.

The Company's land position increased by 76% to 78,000 net acres, with all of the incremental acreage being located in west-central Alberta.

TriQuest participated in the drilling or re-entry of 6 gross wells (2.8 net wells), all targeting natural gas reserves. Three wells were successfully completed, of which 2 are currently producing, and the third is awaiting tie-in. The remaining 3 wells were non-commercial and have been abandoned.

The Company's net production rate decreased modestly to 2.26 mmcfe/d, with a production mix of 72% natural gas and 28% oil and natural gas liquids.

TriQuest's established reserves base, at a 10:1 conversion ratio, increased 33% from 7.559 bcfe at year-end 1999 to 10.073 bcfe at year-end 2000.

Net income and cash flow from operations for the year were $751,674 ($0.02/basic share) and $1,958,804 ($0.06/basic share).

Trading liquidity increased substantially to an average volume of 392,000 shares/month.

Subsequent to year-end 2000, we have: (i) completed 2 wells (0.9 net, at an average working interest of 43.9%) which were drilled in 2000; (ii) drilled 5 wells (2.3 net at an average working interest of 46.1%); and (iii) re-entered 2 wells (0.5 net wells at an average working interest of 24.0%), all in the Crossfield/Olds/Sylvan Lake areas of our core west-central area. Of these 9 operations, 2 wells have been tied-in and are currently producing at 0.30 mmcfe/d net to TriQuest, and 3 wells have been completed and are awaiting tie-in which will result in an incremental 0.80 mmcfe/d of production net to TriQuest. Additional work is required before determining the status of the remaining 4 wells.

2001 Outlook and Objectives

Over the course of the past 18 months we have developed numerous drilling and re-entry prospects which we expect to exploit in 2001 as our operational activity increases. Throughout 2000, we focused our efforts on developing the Company's inventory of prospects and accumulating a land base in west-central Alberta, and we plan to continue this process during 2001. TriQuest's capital expenditure level has been established at $9.0 million for 2001, to be funded by a combination of cash flow from existing properties, and from working capital. Given the high prices being paid in asset transactions, 2001 may be an opportune time to dispose of certain non-core properties which exhibit minimal upside potential.

Our main challenge for the upcoming year continues to be dealing with the competitiveness of a cash-rich industry. Rather than being able to build our land position quickly, we will have to cobble together a land base in smaller increments and strike off into areas of west-central Alberta where there are larger tracts of Crown acreage available. We continue to believe we maintain several key competitive advantages, including: (i) a management team with a proven ability to create shareholder value by adhering to its growth strategy and business plan; (ii) a strong financial position by virtue of a working capital position of $9.5 million; and (iii) a supportive shareholder base with the ability to infuse additional capital as our operational activity increases.

The Business Environment

For the upstream oil and gas sector, 2000 was a year of unparalleled price strength for both natural gas and crude oil. Demand for natural gas and crude oil continue to be strong, and excess export capacity from Alberta exists for both these commodities. The environment for the industry as a whole for 2001 and beyond remains extremely attractive.

After hitting a cyclical trough in February of 1999, crude oil prices continued to strengthen during the remainder of 1999 and 2000. The average price for WTI crude oil during 2000 was US$30.22/bbl, with the price peaking in September of 2000 at nearly US$38/bbl. The steady increase in prices has been attributed to OPEC's change in focus from one of market share to one of price escalation and maintenance. Contributing to the strength in prices is the lack of other basins which have the ability to add supply in a material fashion. The price of WTI crude oil has moderated from its peak, but the decline has been orderly. In January of 2001, and again in March of 2001, OPEC announced its first production curtailments (totaling 2.5 million bbl/d) since March of 1999. At the time of this writing, the spot price for WTI crude oil is approximately US$27.50/bbl, and the 1-year futures strip for crude is US$27.00/bbl. The consensus among energy price forecasters appears to show an increase in the "sustainable" prices for WTI crude oil from the US$18-22/bbl range to the US$20-25/bbl range. The key risk in achieving this new level of pricing is OPEC's resolve to maintain prices in the face of weakening world economies.

The Alberta plantgate price for natural gas escalated steadily during 2000, averaging $4.51/MMBTU for the year for an 82% increase over the 1999 level of $2.48/MMBTU. Spot prices peaked at almost $18/MMBTU during a cold snap in December of 2000, and while aggregator prices have lagged the spot prices, they have increased directionally. The increase in price has been attributed to: (i) low storage levels in both Canada and the U.S.; (ii) increased demand as additional gas-fired power generation plants are constructed and industrial demand increases; and (iii) continuing concerns that North American supply is insufficient to meet demand levels. Average field deliveries within Alberta for December of 2000 were 12.3 bcf/d, essentially flat from the corresponding period in 1999, despite a record 8,926 gas well completions in 2000. At the time of this writing, the AECO spot price is approximately $7.50/MMBTU, and the November 2001 – October 2002 contract year futures strip for natural gas is $7.25/MMBTU. The consensus among energy price forecasters appears to show an increase in the "sustainable" prices for natural gas from the $2.75–$3.25/MMBTU range to the $3.50–$5.00/MMBTU range, but with a substantial increase in volatility. The key risks to maintaining this higher price band are fuel switching to coal or crude oil, and an economic slowdown or recession that reduces industrial demand.

As a result of the strong commodity prices during 2000, the upstream industry has enjoyed record cash flow, estimated to have exceeded $37 billion, and even stronger cash flows are anticipated for 2001. Industry cash flow now exceeds capital expenditures by a large margin, eliminating the need for the industry to raise equity capital.

While 2000 proved to be a highly successful year for the TSE Oil & Gas Producers Index, which rose 46% during the year, there continues to be a strong disconnect between forward commodity prices and equity market valuations, particularly for the smaller capitalization companies. Low multiples and a disinterested market will likely persist until investors have more confidence in the sustainability of commodity prices, and this will continue to be the case for emerging companies such as TriQuest. The combination of low multiples and large cash flow surplus will likely continue to feed the consolidation process, which has seen the elimination of numerous junior and intermediate producers.

On behalf of the Board,

Gordon J. Hoy

Gordon J. Hoy
President and C.E.O.
April 30, 2001

CORPORATE STRATEGIES AND OBJECTIVES

Management's mandate is to implement a strategic business plan to build shareholder value through the efficient discovery, development and acquisition of natural gas and conventional light–to–medium gravity crude oil reserves. Key to TriQuest's corporate philosophy is a disciplined operational focus in its core area of west-central Alberta. The Company's key advantage is its technical and strategic management expertise.

Internal prospect generation remains a fundamental platform for achieving the Company's long-term profitability, representing the greatest potential for low-cost reserve additions. TriQuest has developed stringent criteria that are used in the selection of exploration, development and acquisition prospects, and an integrated team approach is used to assess these opportunities.

- Geographically, we will concentrate our efforts in west-central Alberta where the opportunities offer a higher return on investment. Geologically, we target natural gas and light-to-medium gravity oil in the Cretaceous, Triassic and Mississippian formations, which offer multi-zone potential. Management's expertise lies in these specific geological horizons in this geographic area.
- TriQuest will emphasize conventional plays with a low-to-moderate risk profile, such as pool extensions, by-passed production or pool analogues.
- Given our size, we cannot withstand the effects of a prolonged development period; therefore, we ensure that there is existing production and transportation infrastructure so that cash flow may be realized quickly.
- TriQuest will seek partners for higher risk, expensive opportunities with capital ceilings placed on individual prospects to limit exposure.
- The Company will limit exposure to high-risk wells, high sour content gas production, heavy oil development and research and development expenditures relating to leading edge technology.

Over the next 3-5 year period management is committed to achieving the objectives outlined below:

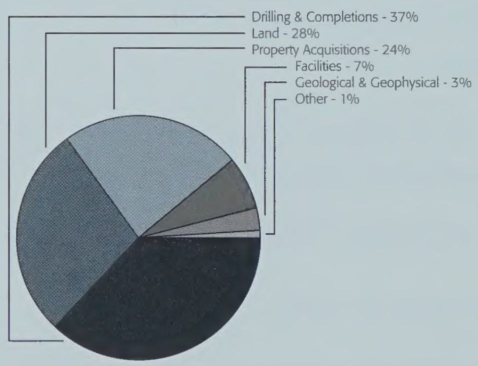
- Attain a reserves replacement ratio greater than 200%.
- Given the capital-intensive nature of TriQuest's geographical and geological focus, reduce reserve replacement costs to $0.65/mcfe.
- Attain a recycle ratio exceeding 1.75.
- Maintain a reserve life index between 10 to 12 years.
- Maintain debt below 1.5 times annual cash flow.

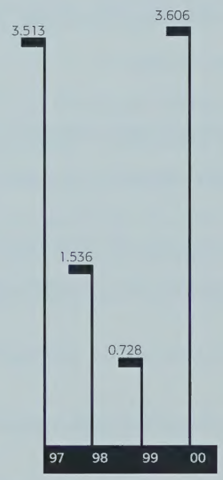
REVIEW OF OPERATIONS

Capital

Capital expenditures for 2000 were $3.606 million. Of the total expenditures, 37% was dedicated towards drilling and 28% towards accumulating a land base, and 24% was invested to purchase properties where potential exists to develop other horizons. Management was disappointed at the low level of capital spent given the $8.5 million capital budget established for the year, but believe that it is prudent to maintain discipline in evaluating and pursuing opportunities. As a result of the strong commodity prices, and the resultant record levels of cash flow within the industry, trying to consummate deals was a difficult and slow process.

	Expenditures ($ millions)	% of Total Expenditures
Drilling and Completions	1.342	37
Land	1.026	28
Property Acquisitions	0.858	24
Facilities	0.250	7
Geological and Geophysical	0.106	3
Other	0.025	1
Total	3.606	100





Capital Expenditures ($millions)

During 2000, we participated in the drilling or re-completion of 6 gross wells (2.8 net wells, for an average working interest of 46%) in our core area of west-central Alberta, all targeting gas reserves. Of the total operations, five involved drilling wells. The sixth well involved the re-entry of an existing wellbore in the Caroline area in search of a shallow gas prospect, which the Company categorized as an operational failure due to a lack of cement behind casing. Overall, a 50% success rate was achieved.

	2000		1999	
	Gross	Net	Gross	Net
Exploration Wells				
Oil	0	0.0	0	0.0
Natural Gas	2	0.9	0	0.0
Service	0	0.0	0	0.0
Abandoned	3	1.7	1	0.2
	5	2.6	1	0.2
Success Rate	40%		0%	
Average Working Interest	52%		17%	
Operated by TriQuest	5		0	
Development Wells				
Oil	0	0.0	0	0.0
Natural Gas	1	0.2	16	2.9
Service	0	0.0	0	0.0
Abandoned	0	0.0	0	0.0
	1	0.2	16	2.9
Success Rate	100%		100%	
Average Working Interest	20%		18%	
Operated by TriQuest	1		0	
Total				
Oil	0	0.0	0	0.0
Natural Gas	3	1.1	16	2.9
Service	0	0.0	0	0.0
Abandoned	3	1.7	1	0.2
	6	2.8	17	3.1
Success Rate	50%		94%	
Average Working Interest	46%		18%	
Operated by TriQuest	6		0	

Wells Drilled
& Average Interest

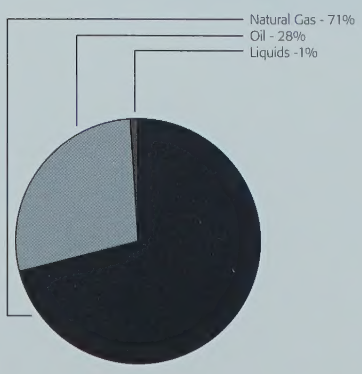
For 2001, the Company has established its capital expenditure level at $9.0 million.

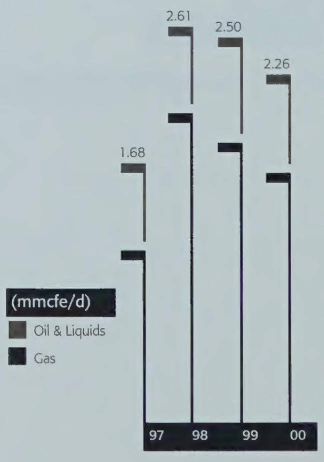
Production

The Company's average production rate during 2000 was 1.61 mmcf/d of natural gas, 63 bbl/d of crude oil and 1 bbl/d of natural gas liquids. Based on a conversion factor of 10 mcf of natural gas equaling 1 bbl of oil/liquids, this translates to an equivalent production rate of 2.26 mmcfe/d, compared to 2.50 mmcfe/d for 1999. (The comparative figures, based on a conversion factor of 6 mcf to 1 bbl, were 2.00 mmcfe/d in 2000 versus 2.22 mmcfe/d in 1999). The production mix was 71% natural gas, 28% crude oil and 1% natural gas liquids, of which 84% was derived from Alberta and the balance from Saskatchewan and British Columbia. A large portion of the Company's current production is not derived from its west-central Alberta core area, and certain production may be disposed of in the future as circumstances allow.

Average production rates for TriQuest's major producing areas are outlined below. The figures include equivalent production from gross overriding royalty income (0.09 mmcfe/d in 2000 and 0.11 mmcfe/d in 1999) to correspond with the reserves figures and depletion calculations.

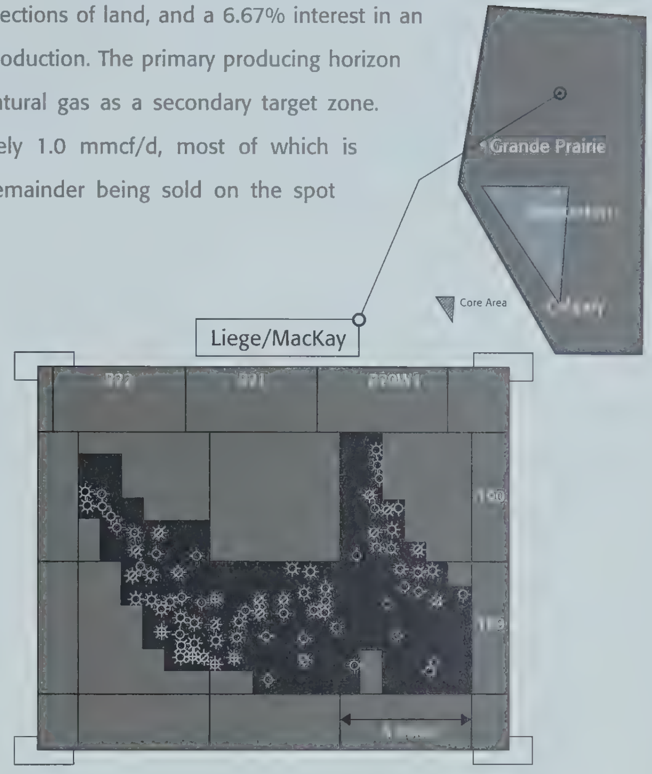
	2000			1999		
	Volume	@10:1	@6:1	Volume	@10:1	@6:1
Crude Oil (bbl/d)						
SW Success	32	14%	10%	29	12%	8%
Wilson Creek	28	13%	8%	36	14%	10%
Other	3	1%	1%	6	2%	1%
Total Crude Oil	63	28%	19%	71	28%	19%
Natural Gas (mmcf/d)						
Liege/MacKay	0.90	40%	45%	1.08	43%	49%
Hanna Garden	0.57	25%	29%	0.54	21%	24%
Other	0.14	6%	7%	0.17	8%	8%
Total Natural Gas	1.61	71%	80%	1.79	72%	81%
Natural Gas Liquids (bbl/d)						
Other	1	1%	1%	2	0%	0%
Total Natural Liquids	1	1%	1%	2	0%	0%
Total (mmcfe/d)		2.26	2.00		2.50	2.22





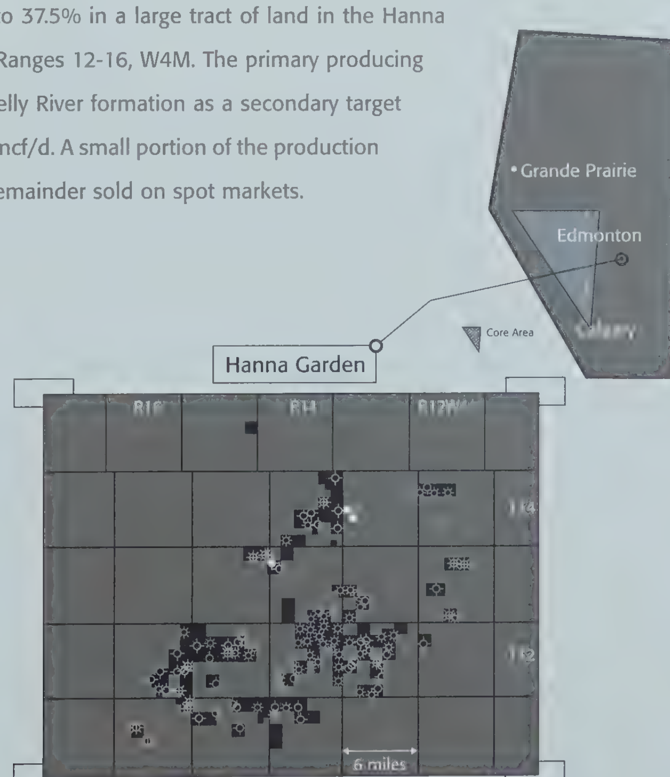
Production by Commodity Type

Approximately 40% of the production is derived from the Liege/MacKay acreage in northern Alberta, where the Company has a 50.5% ownership in 102 sections of land, and a 6.67% interest in an adjacent 13 sections of land. TriQuest operates this production. The primary producing horizon is the Upper Devonian Grosmont, with Wabiskaw natural gas as a secondary target zone. Current production to the Company is approximately 1.0 mmcf/d, most of which is dedicated under an aggregator contract, with the remainder being sold on the spot markets. During 2000, the Company concentrated its efforts to upgrade the aging plant facilities so as to reduce downtime and increase operating efficiency. These costs were expensed, and as a result, operating costs for this area in 2000 were inordinately high. We have begun to see the predicted increase in efficiency and reduced unit operating costs, and expect to see further improvement in 2001. The plant owners derive income from processing third party natural gas, and there is unfilled plant capacity of approximately 2.0 mmcf/d. Incremental third party gas should result in increased processing revenue and reduce unit operating costs as the majority of costs are fixed in nature. Operational activity in this area is limited to the period between mid-December and mid-March.



TriQuest owns various interests, ranging from 18.75 to 37.5% in a large tract of land in the Hanna Garden area of Alberta, located in Townships 31-33, Ranges 12-16, W4M. The primary producing horizon here is the Second White Specks, with the Belly River formation as a secondary target zone, with current production of approximately 0.6 mmcf/d. A small portion of the production is dedicated under an aggregator contract, with the remainder sold on spot markets.

The Company has added new production from the Crossfield and Sylvan Lake areas, and expects to continue building its production base in west-central Alberta.



Reserves Data and Future Net Revenue

The Alberta Securities Commission established a taskforce in 1998 to develop minimum disclosure standards for oil and gas issuers. In January of 2001, the Alberta Securities Commission published the recommendations of the taskforce, many of which pertained to the disclosure of reserves and future net revenue. The anticipated implementation date for these guidelines is year-end 2002, and this section of this annual report is designed to meet the standards outlined in the taskforce recommendations.

All of TriQuest's reserves, production and future net revenue were independently evaluated by Gilbert Laustsen Jung Associates Ltd. ("GLJ"), and reviewed by the Company's Audit Committee. The GLJ evaluation was prepared using the GLJ price forecast dated effective January 1, 2001, and these prices (in nominal dollars) are shown on the table below for the initial five years of the evaluation.

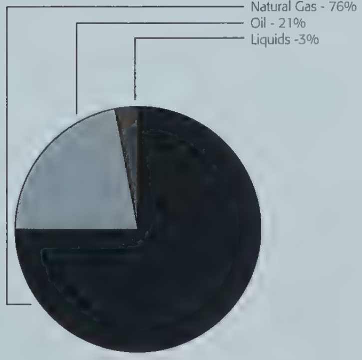
		Crude Oil		Natural Gas	
		WTI Intermediate (US$/bbl)	Edmonton Reference (Cdn$/bbl)	Henry Hub (US$/MMBTU)	Average Alberta Plantgate (Cdn$/MMBTU)
Historical -	1998	14.42	20.36	2.16	1.94
	1999	19.29	27.69	2.32	2.48
	2000	30.22	44.56	4.33	4.51
Forecast -	2001	27.00	40.25	5.25	6.70
	2002	24.00	35.25	4.00	4.85
	2003	21.00	30.25	3.50	4.35
	2004	21.00	29.75	3.50	4.20
	2005	21.25	29.75	3.50	4.20

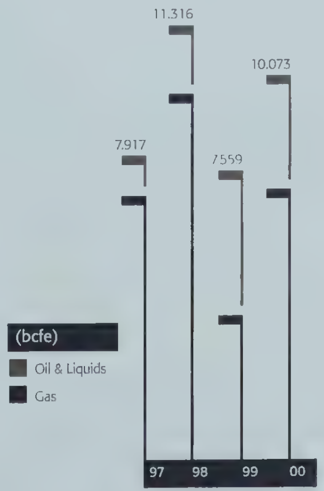
Presented below are summary tables of the Company's reserves as at December 31, 2000 based on GLJ's escalating price forecast and a constant price scenario. "Gross reserves" are defined as the total remaining recoverable reserves owned by TriQuest before the deduction of royalties. "Net reserves" are defined as the Company's reserves after the deduction of all royalties. "Established reserves" are defined as being proved reserves plus 50% of probable reserves. It is important to note that reserves estimates, by their very nature, are subject to positive and negative revisions as additional information becomes available.

Gross Company established reserves were 10.073 bcfe (based on a conversion rate of 10 mcf to 1 bbl of oil/liquids, or 9.078 bcfe at 6:1), of which 76% were natural gas and 83% were in the proven category. The reserve base at year-end 2000 shows a 33% increase from the 7.559 bcfe carried at year-end 1999. The reserves decrease resulting from 2000 production of 0.825 bcfe was offset by reserves purchased or discovered in Crossfield, Lone Pine and Sylvan Lake.

Company Share of Remaining Reserves and Present Worth Values
Escalating Price Forecast (as of January 1, 2001)

	Proved			Proved &	
	Producing	Non-Producing	Total	Unrisked Probable	Established
Crude Oil (mstb)					
Gross Company	142.2	32.3	174.5	258.6	216.5
Net After Royalties	121.5	29.7	151.3	225.1	188.2
Natural Gas (bcf)					
Gross Company	5.080	1.284	6.364	8.857	7.611
Net After Royalties	4.426	1.024	5.450	7.318	6.384
Natural Gas Liquids (mstb)					
Gross Company	16.5	7.7	24.2	35.3	29.8
Net After Royalties	11.6	5.4	17.0	24.0	20.5
Total Equivalent Reserves (bcfe)					
@ 10:1 Gross Company	6.667	1.684	8.351	11.795	10.073
@ 10:1 Net After Royalties	5.757	1.375	7.133	9.810	8.472
@ 6:1 Gross Company	6.032	1.524	7.556	10.620	9.088
@ 6:1 Net After Royalties	5.225	1.235	6.460	8.813	7.637
Before Tax Present Value ($ millions)					
@ 0%	17.647	4.125	21.772	29.335	25.554
@ 10%	10.891	2.314	13.205	16.623	14.914
@ 15%	9.425	1.862	11.287	13.991	12.639
@ 20%	8.410	1.543	9.953	12.187	11.070
First 6 Years Before Tax Cash Flow ($ millions)					
2001	3.740	0.015	3.755	3.758	3.757
2002	2.336	0.378	2.714	3.397	3.056
2003	1.607	0.579	2.186	3.012	2.599
2004	1.233	0.514	1.747	2.432	2.090
2005	0.980	0.415	1.395	1.926	1.661
2006	0.824	0.338	1.162	1.606	1.384





Established Reserves by Commodity Type

Company Share of Remaining Reserves and Present Worth Values
Constant Price Scenario (as of January 1, 2001)

	Proved			Proved &	
		Non-		Unrisked	
	Producing	Producing	Total	Probable	Established
Crude Oil (mstb)					
Gross Company	160.0	32.2	192.3	281.3	236.8
Net After Royalties	134.9	29.4	164.3	240.2	202.3
Natural Gas (bcf)					
Gross Company	5.137	1.301	6.438	8.978	7.708
Net After Royalties	4.479	1.037	5.516	7.421	6.469
Natural Gas Liquids (mstb)					
Gross Company	16.5	7.8	24.3	34.3	29.3
Net After Royalties	11.6	5.4	17.0	23.1	20.0
Total Equivalent Reserves (bcfe)					
@ 10:1 Gross Company	6.902	1.702	8.604	12.134	10.369
@ 10:1 Net After Royalties	5.954	1.375	7.329	10.054	8.692
@ 6:1 Gross Company	6.196	1.542	7.738	10.872	9.305
@ 6:1 Net After Royalties	5.358	1.246	6.604	9.001	7.803
Before Tax Present Value ($ millions)					
@ 0%	28.898	7.177	36.075	49.350	42.713
@ 10%	16.030	3.957	19.987	25.841	22.914
@ 15%	13.370	3.160	16.530	21.121	18.826
@ 20%	11.579	2.605	14.184	17.949	16.067
First 6 Years Before Tax Cash Flow ($ millions)					
2001	3.740	0.015	3.755	3.755	3.755
2002	3.140	0.610	3.750	4.814	4.282
2003	2.592	0.984	3.576	4.903	4.240
2004	2.111	0.835	2.946	4.106	3.526
2005	1.768	0.698	2.466	3.390	2.928
2006	1.571	0.590	2.161	2.941	2.551

The following table indicates the future net revenue as at December 31, 2000 using forecast and constant prices and costs. All evaluations of future net revenues are stated prior to provision for abandonment and site reclamation costs, income taxes, interest costs or general and administration expenses, but the figures do account for royalties and estimated future capital and operating costs, and include ARTC. It should not be assumed that the discounted future net revenues are representative of the fair market value of the reserves.

	Forecast Prices		Constant Prices	
	Proved	Probable	Proved	Probable
Future Net Revenue ($ millions)	38.001	15.454	53.506	21.943
Less: Royalties, Net of ARTC	(4.443)	(2.731)	(6.370)	(4.244)
Development Costs	(0.764)	(0.844)	(0.757)	(0.839)
Operating Costs	(11.021)	(4.316)	(10.304)	(3.585)
Future Net Revenue	21.772	7.563	36.075	13.275
Future Net Revenue Discounted ($ millions)				
@ 10%	13.205	3.418	19.987	5.854
@ 15%	11.287	2.704	16.530	4.591
@ 20%	9.953	2.234	14.184	3.765

Development costs ($ millions) for the next 5 year period are shown below.

	Forecast Prices		Constant Prices	
	Proved	Probable	Proved	Probable
2001	0.408	0.485	0.408	0.485
2002	0.316	0.360	0.312	0.354
2003	–	–	–	–
2004	–	–	–	–
2005	0.039	–	0.037	–
	0.764	0.844	0.757	0.839

The reserve life index at year-end 2000, calculated on the basis of established reserves and the year-end exit rate of 2.53 mmcfe/d, was 10.9 years. The Company's objective is to maintain a reserve life index between 10 and 12 years.

Reserves Reconciliation

The following table shows a reconciliation of gross Company reserves as at December 31, 2000.

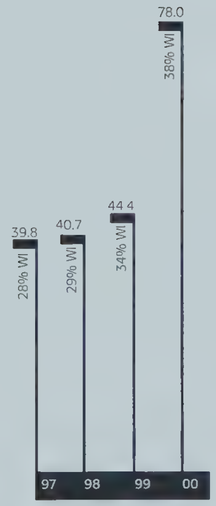
	Natural Gas (bcf)	Liquids (mstb)	Oil (mstb)	Total (bcfe) @10:1	Total (bcfe) @6:1
Proved Reserves					
Beginning of Year	4.704	0.2	202.9	6.736	5.924
Revisions	0.376	–	(5.3)	0.322	0.343
Purchases of Reserves	0.585	2.0	–	0.605	0.597
Discoveries and Extensions	1.289	22.2	–	1.511	1.422
Production	(0.590)	(0.2)	(23.2)	(0.825)	(0.732)
Sale of Reserves	–	–	–	–	–
Total Proved	6.364	24.2	174.4	8.351	7.556
Probable Reserves					
Beginning of Year	0.885	0.0	76.4	1.649	1.343
Revisions	0.063	0.1	7.8	0.142	0.110
Purchases of Reserves	–	–	–	–	–
Discoveries and Extensions	1.545	11.1	–	1.656	1.612
Production	–	–	–	–	–
Sale of Reserves	–	–	–	–	–
Total Probable	2.493	11.1	84.1	3.445	3.064
Total Proven and Probable	8.857	35.3	258.6	11.795	10.620
Established Reserves	7.611	29.8	216.5	10.073	9.088

Land

During 2000, TriQuest acquired or earned a working interest position in an additional 33,600 net acres, all in its west-central Alberta core area. The net acreage tied-up under option by the Company decreased by 3,700 acres as we: (i) reduced our interests in the Crossfield area in order to access additional working interest lands; and (ii) converted option acreage into working interest acreage by fulfilling our drilling commitments. Subsequent to year-end 2000, and as a result of our poor operational results at Caroline, we allowed an additional 10,200 net acres of option acreage to expire.

Land Holdings (acres)

	2000		1999	
	Gross	Net	Gross	Net
Land Summary by Type				
Developed	112,800	40,500	64,000	20,600
Undeveloped	91,800	37,500	65,800	23,800
Total	204,600	78,000	129,800	44,400
Override Lands	30,200	30,200	15,400	15,400
Option Lands	21,700	16,500	40,400	20,200
Land Summary by Province				
Alberta	200,000	77,500	125,300	43,900
British Columbia	3,300	400	3,300	100
Saskatchewan	1,300	100	1,200	400
	204,600	78,000	129,800	44,400



Net Acres
& Average Interest
(000's)

The following table indicates the potential lease expiries over the upcoming 3-year period.

	Net Acreage	Net Expiring Acreage		
	@ YE 2000	2001	2002	2003
Alberta	77,500	11,200	1,100	5,700
British Columbia	400	300	0	0
Saskatchewan	100	0	0	0
Total	78,000	11,400	1,000	5,700

Management recognizes the need to strengthen TriQuest's land position in west-central Alberta by increasing both the acreage held and its average working interest. Our strong working capital position should allow us to continue acquiring land and make capital commitments to earn additional acreage.

Marketing

The average price for natural gas sold by TriQuest during 2000 was $4.73/mcf, slightly below the average spot market price of $4.92/mcfe because of the Company's exposure to aggregator contracts (54% of 2000 production received aggregator netback pricing). Average prices for oil and natural gas liquids were $38.44/bbl and $42.54/bbl respectively. No hedges were in place during 2000, but as TriQuest's production base grows, the Company will review the use of financial derivative products to ensure an element of price certainty given the increasingly volatile nature of the gas market.

Since deregulation in 1986, the marketing of natural gas has become increasingly complex, and small producers without sophisticated marketing expertise will have difficulty marketing effectively. TriQuest continues to establish strategic relationships with a select group of natural gas marketers who can purchase all of our production at the plant gate, reduce our administrative burden, and offer financial derivative products when the Company elects to hedge a portion of its production.

The marketing of oil in Alberta is relatively simple compared to natural gas. Oil is a global commodity with distinct and well publicized pricing. TriQuest markets it crude oil production at the plant gate on a daily spot basis, with pricing based on posted Edmonton prices less a transportation differential.

Safety and the Environment

TriQuest's activities in the field inherently involve environmental risks as well as safety risks. The Board has established policies and procedures to address these environmental risks, emergency response and safety issues. An Environmental Policy Statement and a Safety Policy have been instituted. These policies commit the Company to protect and respect the environment on behalf of shareholders and the public, and to conduct all field operations in accordance with current environmental, occupational health and safety regulations. Senior management supports, and is responsible for implementing these policies throughout the organization.

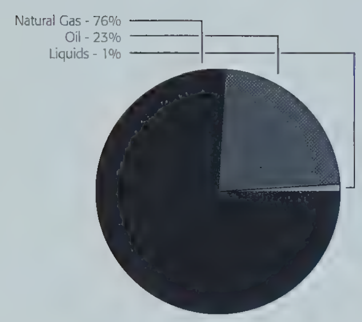
The Alberta and British Columbia regulatory authorities require operators to place on deposit, sufficient funds for the abandonment of a portion its non-producing wells and the reclamation of the accompanying surface leases. The Alberta Energy and Utilities Board has proposed to replace the existing deposit program with another program which has the potential to significantly increase the size of the required deposits. The deposits are returned with accrued interest after abandonment and reclamation activities have been completed. TriQuest has deposited $0.173 million with these authorities against the future liabilities associated with 16 suspended wells and has identified an additional 15 suspended wells which may require deposits in the future. Of these 31 wells, 4 were abandoned subsequent to year-end 2000, 15 are scheduled to be worked over during the 2001/02 winter season based on a review of production potential, and we plan to abandon the remaining 12 wells over the course of the next 3 years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the financial statements for the years ended December 31, 2000 and 1999.

Revenue

The Company's gross oil and gas sales revenue for 2000 totaled $3.688 million. This represents an increase of 70% compared to 1999 despite the fact that production decreased 10% to 2.26 mmcfe/d in 2000 (from 2.50 mmcfe/d in 1999). The increase was primarily due to the significant rise in average commodity prices of both natural gas and crude oil/liquids. Of the $3.688 million of revenue, $0.143 million ($0.085 million in 1999) was attributable to gross overriding royalties received by the Company.



Revenue Contribution

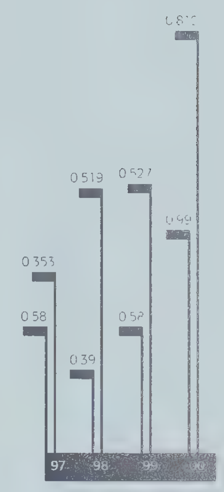
During 2000, revenue resulting from the sale of natural gas accounted for 76% of the gross oil and gas sales revenue, compared to 71% for the previous year. The corresponding figures for oil were 23% in 2000 compared to 28% in 1999. The sale of NGL's contributed 1% of gross revenue during both 1999 and 2000. The increase in natural gas revenue contribution was primarily attributable to the higher relative increase in natural gas prices over oil and NGL prices from 1999 to 2000.

	Average Commodity Prices		Contribution to Revenue	
	2000	1999	2000	1999
Natural Gas	$4.73/mcf	$2.34/mcf	76%	71%
Oil	$38.44/bbl	$24.78/bbl	23%	28%
Natural Gas Liquids	$42.54/bbl	$18.40/bbl	1%	1%

Interest income for the year 2000 was $0.546 million compared to $0.119 million (net of interest expense of $0.032 million) for the year ended 1999. A portion of the net proceeds received from the September, 1999 special warrant financing was used to eliminate all outstanding debt, and any cash balances are invested in short-term, treasury bills or bankers acceptances which earn interest income in a secure manner. As at December 31, 2000, the Company held a single bankers acceptance due on January 31, 2001 with a maturity value of $8.096 million and a market value of $8.054 million. In addition to the interest received from the Company's short-term investments, a small amount of interest ($0.008 million in 2000, $0.002 million in 1999) was earned from the Alberta Energy and Utilities Board as a result of the Company's deposits under the well abandonment program. Interest income for 2001 is expected to drop from 2000 levels as the Company's capital spending program reduces the size of our cash balances, and as interest rates decrease.

Operating Netbacks

Crown, freehold and overriding royalties paid during 2000 totaled $0.576 million ($0.70/mcfe or 15.6% of gross oil and gas sales revenue) net of ARTC. The corresponding amount for 1999 was $0.369 million ($0.40/mcfe or 17.0% of gross oil & gas sales revenue). This significant increase in royalty expense during 2000 is primarily due to the stronger commodity prices during 2000. ARTC for 2000 reduced the Crown royalties by $0.018 million ($0.02/mcfe or 0.5% of gross oil and gas sales revenue) compared to $0.025 million ($0.03/mcfe or 1.1% of gross oil and gas sales revenue) in 1999. Only 30% of the Company's production was eligible for ARTC during 2000. The design of the ARTC program calls for the credit to decrease with increasing commodity prices. The Company has not yet reached its limit under the rules governing the ARTC, and could derive significant benefit from the program given our plans for drilling in west-central Alberta.



Operating Costs

Op. Costs ($millions)

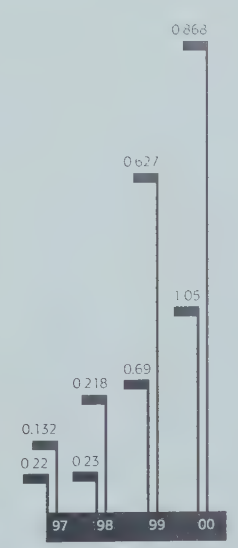
Unit Op. Cost ($/mcfe)

In February 2000, the Alberta Energy and Utilities Board approved the replacement of NOVA's postage stamp rate with a rate design that better reflects the costs associated with transmission distance and size of pipeline. As a result, each receipt point has been assigned a specific transportation rate. In the short term, the implementation of this new rate design will negatively impact TriQuest because our largest production base (Liege/MacKay) is situated at the far end of the NOVA gathering system and will be subject to substantially higher transportation tariffs. In the longer term, however, the Company will benefit because its west-central Alberta focus area is generally subject to lower rates under the new system than it was under the postage stamp design.

Net operating costs during 2000 were $0.818 million ($0.99/mcfe or 22.2% of gross oil and gas sales revenue), compared to $0.527 million ($0.58/mcfe or 24.3% of gross oil and sales revenue) during 1999. Third party processing income (2000: $0.149 million, 1999: $0.183 million) received at the TriQuest operated MacKay gas plant has been netted off the total operating costs. Third party processing income is anticipated to increase as a result of the increase in unit charges at MacKay effective January 1, 2001, and increased throughput as a result of recent drilling activity. Included in operating costs are fixed costs over which the Company has no control, including municipal taxes ($0.094 million or 11.5% of net operating costs), and surface and road access costs ($0.064 million or 7.8% of net operating costs). Operating costs are highest at Liege/MacKay where the age of the plant processing equipment has resulted in increased downtime, leading to a decrease in production from the area and increased costs to remedy the problems. Early in 2000, we commissioned an extensive plant turnaround with the expectation that downtime and operating costs will be reduced in the future. We have begun to see the positive effects of this plant optimization work, which will continue into 2001.

General and Administrative Expenses

General and administrative ("G&A") expenses during 2000, net of overhead recoveries, were $0.868 million, an increase of 38% from the 1999 level of $0.627 million. On a unit basis, G&A increased 59% from $0.69/mcfe in 2000 to $1.05/mcfe in 1999. Prior to May of 1999, the Company did not retain any full time staff. During 2000, the Company hired a fifth full time employee and a part-time receptionist. It is likely that unit G&A expenses will be greater than the industry average until Management has had the opportunity to implement its business strategy more fully. To date, no G&A expenses have been capitalized.



G&A Costs

G&A Costs ($millions)

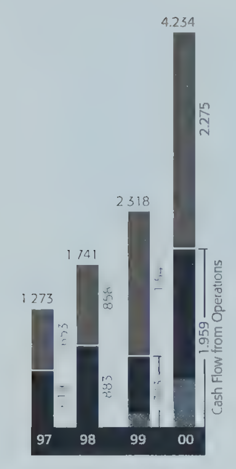
Unit G&A Cost ($/mmcfe)

G&A Expense Summary

($millions, except per mmcfe figures)	2000	1999
Gross G&A Expenses	1.103	0.627
Overhead Recoveries	0.233	0.000
Net G&A Expenses	0.868	0.627
Net G&A ($/mmcfe at 10:1 conversion)	1.05	0.69
Net G&A: Capital Deployed (%)	24.1	86.1

Cash Flow from Operations

The table below indicates the netbacks received by the Company during 2000.



Cash Flow ($millions)

Expenses

Operating Netback

Other Income

	2000			1999		
	$	%	($/mcfe)	$	%	($/mcfe)
Oil & Gas Sales Revenue	3,687,745	100.0	4.46	2,166,295	100.0	2.37
Royalties, net of ARTC	(576,310)	(15.6)	(0.70)	(368,735)	(17.0)	(0.40)
Operating Costs	(818,388)	(22.2)	(0.99)	(526,977)	(24.3)	(0.58)
Net Operating Income	2,293,047	62.2	2.77	1,270,583	58.7	1.39
G&A	(867,700)	(23.5)	(1.05)	(626,715)	(28.9)	(0.69)
Large Corporations Tax	(13,000)	(0.4)	(0.02)	(13,000)	(0.6)	(0.01)
Operating Netback	1,412,347	38.3	1.71	630,868	29.1	0.69
Other Income	546,457	14.8	0.66	119,320	7.0	0.17
Cash Flow From Operations	1,958,804	53.1	2.37	782,803	36.1	0.86

The contribution to 2000 cash flow from operations that results from interest income is $0.546 million, or 12.9% of the total revenue. This figure will decrease over time as our cash balances are drawn down to fund our field activity.

Depletion, Depreciation and Site Restoration

Depletion, depreciation and site restoration charges for 2000 amounted to $0.499 million (including $0.434 million for depletion and depreciation for oil and gas assets, and $0.066 million as a provision for future site restoration), representing an exhaustion rate of 9.4%. This compares to $0.597 million for 1999 ($0.510 million depletion and depreciation, and $0.087 million site restoration), or an exhaustion rate of 13.6%. The decrease from 1999 is due primarily to the larger reserves base combined with the reduced production rate.

The following table summarizes the abandonment and reclamation costs as at year-end 2000.

Number of Net Wells for Which Costs Will be Incurred	37.2
Expected Future Abandonment and Reclamation Costs	$0.768 million
Deposits Held by Regulatory Authorities	$0.173 million
Costs Expensed During Year	$0.076 million
Abandonment and Reclamation Costs Accrued as at Year-End	$0.148 million
Abandonment and Reclamation Costs Expected to be Incurred in:	
2001	$0.020 million
2002	$0.040 million
2003	$0.040 million

Income Taxes

Effective January, 2001, the Canadian Institute of Chartered Accountants ("CICA") changed the accounting standard relating to the accounting for income taxes. The Company has adopted the new income tax accounting standard retroactively without restatement of prior periods. As a result, the Company has recorded a decrease to retained earnings of $93,400 and an increase to the future tax liability, formerly the deferred tax liability, of the same amount, as at January 1, 2000.

The provision for future income tax increased to $0.708 million in 2000 from $0.052 million in 1999, due to the Company's increase in net income.

As a result of the prior business strategy of acquiring, and subsequently disposing of properties at prices higher than the acquisition cost, the Company's tax pool basis is relatively small compared to its revenue. In the current environment of strong commodity prices, TriQuest expects to be cash taxable by the end of 2002 unless the business plan is implemented and significant tax pools are generated.

The following table outlines the Company's resource pool and UCC balances at year-end, after anticipated deductions necessary to reduce taxable income to zero.

	2000	1999
Cumulative Canadian Oil & Gas Property Expense (COGPE)	$2,766,000	$1,195,500
Cumulative Canadian Development Expense (CDE)	654,000	675,500
Cumulative Canadian Exploration Expense (CEE)	691,000	470,000
Total Resource Pools	$4,111,000	$2,341,000
Undepreciated Capital and Other Cost Pools	713,000	669,500
Undeducted Share Issue Costs Carried Forward	534,000	724,000
Non-Capital Loss Carry-Forwards	0	129,500
Total	$5,358,000	$3,864,000

Earnings and Cash Flow

The CICA has approved a new standard for the determination and disclosure of earnings per share. This new standard uses the treasury stock method to calculate the dilutive effects of stock options and other dilutive instruments. The Company has adopted this new standard, and as a result, per share earnings and cash flow figures have been presented on a basic share basis and a diluted share basis. The 1999 per share figures throughout the annual report have been restated accordingly.

Earnings for 2000 were $0.752 million ($0.02/basic share or $0.02/diluted share), up 648% from the corresponding 1999 level of $0.101 million ($0.01/basic share or $0.01/diluted share). The primary reasons for this earnings increase related to higher commodity prices during 2000, interest income earned on the Company's cash balances, and the lower depletion and site restoration charges.

The Company's 2000 cash flow from operations of $1.959 million ($0.06/basic share or $0.06/diluted share), a 161% increase from the corresponding 1999 figure of $0.750 million ($0.05/basic share or $0.05/diluted share).

Ceiling Test

The ceiling test is an annual audit exercise to ensure that the net book value of the petroleum and natural gas properties does not exceed the estimated future net revenue of the Company's proven reserves. At December 31, 2000, using year-end pricing held constant throughout the life of the reserves, a surplus in net future revenue was confirmed and no write-offs were required.

Liquidity and Capital Resources

TriQuest's ability to grow is based, in part, on its ability to generate prospects and invest significant amounts of capital for its exploration, development and acquisition activities. Implementation of the new business strategy identified in 1999 would not be possible without equity financings, and the $12 million special warrant financing completed in September of 1999 provided the Company with sufficient resources to begin assembling a land base and to begin conducting operations. In 2000, the Company's capital expenditures of $3.606 million were funded by cash flow from operations and working capital. The sole equity financing during 2000 resulted in net cash receipts of $8,000 from the exercise of 40,000 stock options by a retiring director, at an exercise price of $0.20/share.

All outstanding debt balances were eliminated following the 1999 financing, and the Company remained debt free as at April 30, 2001. In order to eliminate unnecessary standby charges, TriQuest elected to terminate its $3 million line of credit facility, and will continue to monitor the requirement to reinstate the facility.

	2000	1999
Uses of Cash (millions):		
Additions to Property, Plant and Equipment	$2.749	$1.030
Acquisition of Property, Plant and Equipment	0.858	–
Abandonment Deposits	0.119	0.054
Abandonment Expenditures	0.001	0.052
	$3.727	$1.136
Funded By (millions):		
Cash Flow from Operations	$1.959	$0.750
Issuance of Share Capital, Net	0.008	11.839
Change in Long-Term Debt	–	(0.851)
Proceeds of Property Dispositions	–	0.433
Cash from Acquisition of TriQuest Energy Ltd.	–	0.035
Change in working capital	1.760	(11.070)
	$3.727	$1.136

Financial Sensitivities

Corporate performance can be influenced heavily by external factors, the most significant being commodity prices. Incremental changes to each of these factors would have had the following effects on 2000 earnings and cash flow:

Factor	Sensitivity	Earnings	Cash Flow
Commodity Price			
Natural Gas	$0.10 per mcf	$29,200	$49,700
Oil & Liquids	U.S. $1.00/bbl in WTI	$11,300	$19,800

Business Risks and Risk Management

TriQuest is subject to operational and financial uncertainties, some of which are not controllable by the Company.

The Company is exposed to operational risk in the form of drilling, reservoir performance, competition, and environment and safety. The Company attempts to control operating risk by maintaining a disciplined approach to the implementation of the business strategy. Exploration risk is managed by employing an experienced technical staff and by conducting operations in the geographical and geological areas where it has expertise and experience. An extensive due diligence process is used to review the geological, geophysical, engineering and financial attractiveness of all operations. The actions of management are overseen by the Company's Board of Directors. Assuming operatorship allows the Company to control the manner, timing and cost of operations, and we intend to continue becoming operator of jointly operated properties where our level of ownership dictates. In order to contend with its larger competitors, TriQuest relies on its technical expertise and its ability to make decisions quickly. TriQuest complies with all environmental and safety regulations under the jurisdictions that administer the policies where the Company operates. The Board has approved Environmental Protection and Safety plans, and the Company has defined an emergency response plan.

The Company is exposed to financial risk in the form of commodity prices, foreign exchange rates and interest rates. Financial risk is mitigated by maintaining a low debt:cash flow ratio when debt is outstanding. Commodity price volatility can be offset by a variety of financial instruments designed to ensure future prices, and while the Company does not currently use these instruments, it does anticipate using short-term financial derivatives for hedging a portion of its production as its production base increases. The Company carries adequate insurance to cover identifiable and material risks and potential liabilities related to field and office activity, as well as coverage for personnel and directors executing their corporate responsibilities.

MANAGEMENT'S REPORT

Report on Financial Data

The Company's financial statements and all of the information in this Annual Report are the responsibility of Management. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. Other financial information presented elsewhere in this report is consistent with the financial statements and the underlying information from which these statements were prepared.

Management maintains systems of internal controls to ensure that the Company's assets are safeguarded, and that all transactions are authorized and properly recorded for the preparation of reliable financial statements.

The TriQuest Board of Directors has approved these financial statements upon the recommendation of the Audit Committee. KPMG LLP, the independent auditors appointed by the Shareholders, have audited the financial statements and expressed an opinion herein.

Report on Reserves Data

Independent evaluators have evaluated the Company's Reserves Data, and the report of Gilbert Laustsen Jung Associates has been summarized in the section "Reserves Data And Future Net Revenue". The Audit Committee of the Board of Directors has: (a) reviewed the Company's procedures for assembling and reporting information associated with oil and gas producing activities and providing this information to the evaluator; (b) met with the independent evaluator to determine whether any restrictions placed by management affect the ability of the independent evaluator to report without reservation; and (c) reviewed the Reserves Data with Management and the independent evaluator. The Audit Committee was satisfied with the process undertaken in the preparation of the evaluation, and on the recommendation of the Audit Committee, the Board has approved the Reserves Data.

Gordon J. Hoy

Gordon J. Hoy
President, C.E.O. & C.F.O.

Bruce D. Gigg

Bruce D. Gigg
Vice-President, Engineering & Development

April 30, 2001

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of TriQuest Energy Corp. as at December 31, 2000 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 1999 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 17, 2000.

KPMG LLP.

Chartered Accountants
Calgary, Canada
April 9, 2001

BALANCE SHEETS

December 31

	2000	1999
Assets		
Current assets:		
Cash and term deposits	$ 8,353,127	$ 11,505,642
Accounts receivable	2,965,379	485,325
	11,318,506	11,990,967
Deposits for well abandonment	172,900	54,238
Property, plant and equipment (note 2)	7,606,533	4,433,907
	$ 19,097,939	$ 16,479,112
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,826,353	$ 739,537
Future site restoration	137,425	73,088
Future income taxes (note 5)	935,774	134,374
Shareholders' equity:		
Share capital (note 3)	14,689,602	14,681,602
Retained earnings	1,508,785	850,511
	16,198,387	15,532,113
	$ 19,097,939	$ 16,479,112

See accompanying notes to financial statements.

On behalf of the Board:

Gordon J. Hoy

Gordon J. Hoy
Director

Gordon W. Phillips
Director

STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended December 31

	2000	1999
Revenues:		
Petroleum and natural gas	$ 3,687,745	$ 2,166,295
Royalties, net of ARTC	(576,310)	(368,735)
Interest	546,457	151,935
	3,657,892	1,949,495
Expenses:		
Production	818,388	526,977
Depletion and amortization	433,630	510,002
General and administrative	867,700	626,715
Future site restoration	65,500	87,449
Interest	–	32,615
	2,185,218	1,783,758
Earnings before taxes	1,472,674	165,737
Taxes (note 5):		
Future income taxes	708,000	52,233
Large Corporations Tax	13,000	13,000
	721,000	65,233
Net earnings	751,674	100,504
Retained earnings, beginning of year	850,511	750,007
Change in accounting policy (note 5)	(93,400)	–
Retained earnings, end of year	$ 1,508,785	$ 850,511
Earnings per share (note 6):		
Basic	$ 0.02	$ 0.01
Diluted	$ 0.02	$ 0.01

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31

	2000	1999
Cash provided by (used in):		
Operations:		
Net earnings	$ 751,674	$ 100,504
Items not involving cash:		
Depletion and amortization	433,630	510,002
Future income taxes	708,000	52,233
Future site restoration	65,500	87,449
Cash flow from operations	1,958,804	750,188
Change in non-cash working capital	(408,323)	435,346
	1,550,481	1,185,534
Financing:		
Long-term debt	–	(850,701)
Share financing, net of issue costs	8,000	11,838,507
	8,000	10,987,806
Investing:		
Addition to property, plant and equipment	(2,748,566)	(1,029,915)
Acquisition of property, plant and equipment	(857,690)	–
Proceeds on disposition of property, plant and equipment	–	433,333
Site restoration costs paid	(1,163)	(51,920)
Deposits for well abandonment	(118,662)	(54,238)
Cash acquired on acquisition of TEL (note 4)	–	35,042
Change in non-cash working capital	(984,915)	–
	(4,710,996)	(667,698)
Increase (decrease) in cash and term deposits	(3,152,515)	11,505,642
Cash and term deposits, beginning of year	11,505,642	–
Cash and term deposits, end of year	$ 8,353,127	$ 11,505,642
Represented by:		
Cash	$ 293,171	$ 951,198
Term deposits	8,059,956	10,554,444
	$ 8,353,127	$ 11,505,642
Term deposits have maturities of less than 90 days.		
Cash flow from operations per share (note 6):		
Basic	$ 0.06	$ 0.05
Diluted	$ 0.06	$ 0.05

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Significant accounting policies:

The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Petroleum and natural gas operations:

The Company follows the full cost method of accounting whereby all costs associated with the exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, lease rental costs on non-producing properties, costs of both productive and unproductive drilling and production equipment. Gains or losses are not recognized upon disposition of petroleum and natural gas properties unless crediting the proceeds against accumulated costs would result in a change in the depletion rate of 20% or more.

The accumulated costs, less the costs of acquisition of unproved properties, are depleted and depreciated using the unit-of-production method based on total proved reserves before royalties as determined by independent engineers. Natural gas reserves and production are converted into equivalent barrels of oil based upon the estimated relative energy content.

The costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of impairment is added to the costs subject to depletion.

The net carrying amount of the Company's petroleum and natural gas properties is limited to a ceiling, being the aggregate of future net revenues from proved reserves, less future capital costs plus the costs of unproved properties, net of impairment allowances, less future site restoration costs, general and administrative costs, financing costs and income taxes. Further, net revenues have been calculated using prices and costs in effect at the Company's year-end without escalation or discounting.

(b) Interest in joint ventures:

Substantially all of the Company's oil and gas exploration and development activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

(c) Future site restoration and abandonment costs:

Estimated future site restoration and abandonment costs are provided for over the life of the estimated proven reserves on a unit-of-production basis. Costs are estimated each year by management in consultation with the Company's engineers based on current regulations, costs, technology and industry standards. The period charge is expensed and actual site restoration and abandonment expenditures are charged to the accumulated provision account as incurred.

(d) Financial instruments:

The Company periodically enters into derivative instrument contracts to manage exposure related to petroleum and natural gas prices and foreign currency fluctuations. Settlement amounts on commodity and foreign currency hedge contracts are recognized in earnings as the related production revenues are recorded.

(e) Stock option program:

The Company has a stock option program which is described in note 3(c). When stock options are granted, no compensation expense is recorded. Consideration received on the exercise of the stock option is credited to share capital.

(f) Income taxes:

Effective January 1, 2000, the Company adopted the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the current, or substantively enacted, tax rates and laws expected to apply when these differences reverse.

2. *Property, plant and equipment:*

2000	Cost	Accumulated depletion and amortization	Net book value
Petroleum and natural gas properties	$ 9,245,005	$ 1,749,000	$ 7,496,005
Other	138,160	27,632	110,528
	$ 9,383,165	$ 1,776,632	$ 7,606,533

1999	Cost	Accumulated depletion and amortization	Net book value
Petroleum and natural gas properties	$ 5,664,380	$ 1,322,999	$ 4,341,381
Other	112,528	20,002	92,526
	$ 5,776,908	$ 1,343,001	$ 4,433,907

As at December 31, 2000, costs of acquiring undeveloped properties in the amount of $3,814,650 (1999 – $684,313) were excluded from depletion calculations.

The remaining future site restoration costs to be accrued over proved reserves are approximately $630,000.

3. *Share capital:*

(a) Authorized:

Unlimited number of common shares.

Unlimited number of preferred shares, issuable in series, rights and privileges to be determined upon issue, of which none have been issued.

(b) Common shares issued and outstanding:

	2000		1999	
	Number of Shares	Amount	Number of Shares	Amount
Beginning of year	35,005,000	$ 14,681,602	9,115,000	$ 2,369,695
Issued for cash:				
By private placement to related parties (d)	–	–	1,000,000	400,000
By private placement	–	–	500,000	250,000
On exercise of options	40,000	8,000	140,000	28,000
Exchange of special warrants (e)	–	–	24,000,000	12,000,000
Issued on acquisition of TEL (note 4)	–	–	250,000	100,000
	35,045,000	14,689,602	35,005,000	15,147,695
Share issue costs, net of future income taxes of $373,400	–	–	–	(466,093)
End of year	35,045,000	$ 14,689,602	35,005,000	$ 14,681,602

(c) Stock option program:

The Company has a stock option program from which the Company may grant options to its employees, officers and directors for up to 10% of the issued and outstanding common shares. Under this program, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is five years and vest immediately.

The following table summarizes the changes in the Company's stock option program:

	2000		1999	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	2,970,000	$ 0.49	575,000	$ 0.45
Granted	250,000	0.37	2,720,000	0.52
Cancelled	—	—	(185,000)	0.97
Exercised	(40,000)	0.20	(140,000)	0.20
Outstanding, end of year	3,180,000	$ 0.49	2,970,000	$ 0.49
Exercisable, end of year	3,180,000	$ 0.49	2,970,000	$ 0.49

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2000:

	Options Outstanding and Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$0.20	210,000	1.08 years	$ 0.20
$0.35 – $0.60	2,970,000	3.67 years	0.51
$0.20 – $0.60	3,180,000	3.50 years	$ 0.49

(d) Private placement:

On June 15, 1999, the Company completed a private placement with officers and directors of the Company and parties related to them for 1,000,000 common shares for gross proceeds of $400,000.

(e) Special warrants:

Pursuant to an agency agreement dated August 23, 1999, the Company engaged a syndicate of underwriters to offer a private placement of special warrants. On September 15, 1999, the Company completed private placements for an aggregate of 24,000,000 special warrants at a price of $0.50 for each special warrant for gross proceeds of $12,000,000, which were converted to common shares in 1999.

4. *Business combination:*

The Company entered into an agreement with the shareholders of TriQuest Energy Ltd. ("TEL") to purchase all of the issued and outstanding shares of TEL, effective May 1, 1999. On July 6, 1999, the Company changed its name to TriQuest Energy Corp. and TEL was continued as a wholly-owned subsidiary. During 2000, TEL was amalgamated with the Company.

The acquisition of TEL has been accounted for by the purchase method, with the Company being the deemed acquirer, based on the fair values of the assets and liabilities acquired effective May 1, 1999 as follows:

Working capital deficiency (including cash of $35,042)	$ (31,539)
Property, plant and equipment	131,539
Fair value, net assets acquired	$ 100,000
Consideration:	
250,000 common shares	$ 100,000

5. *Taxes:*

Effective January 1, 2000, the Company changed its accounting policy for income taxes in accordance with new recommendations to Canadian Generally Accepted Accounting Principles. Prior thereto, the Company had followed the deferral method. The new method was applied retroactively without restatement of prior period statements. On adoption, retained earnings was decreased and future income tax liability was increased by $93,400. There was no effect on earnings during 2000 as a result of this change.

The provision for taxes differs from the amount that would have been expected by applying corporate income tax rates to earnings before taxes as shown below:

	2000	1999
Earnings before taxes	$ 1,472,674	$ 165,737
Statutory income tax rate	44.6%	44.6%
Expected tax provision	656,813	73,818
Increase (decrease) in expected tax provision resulting from:		
Non-deductible crown charges (net of ARTC)	268,109	164,455
Resource allowance	(219,606)	(186,040)
Other	2,684	–
Future income taxes	708,000	52,233
Large Corporations Tax	13,000	13,000
	$ 721,000	$ 65,233

The components of the net future income tax liability at December 31, 2000 is as follows:

Future income tax assets:	
Share issue costs	$ (238,106)
Future site restoration	(45,970)
	(248,076)
Future income tax liabilities:	
Property, plant and equipment	1,183,850
Net future income tax liability	$ 935,774

Subject to confirmation by income tax authorities, the Company has the following estimated tax pools as at December 31, 2000:

Cumulative Canadian Oil and Gas Property Expense	$ 2,766,000
Cumulative Canadian Development Expense	654,000
Cumulative Canadian Exploration Expense	691,000
Undepreciated Capital Cost	713,000
Undeducted share issue Costs	534,000

6. *Per share amounts:*

The Canadian Institute of Chartered Accountants has approved a new standard for the computation, presentation and disclosure of earnings per share. Under the new standard, the treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only "in the money" dilutive instruments impact the diluted calculations.

In computing diluted earnings and cash flow from operations per share, 284,894 (1999 – 394,608) shares were added to the 35,037,022 (1999 – 16,939,219) weighted average number of common shares outstanding during the year for the dilutive effect of stock options. In 2000, options to purchase 2,060,000 common shares were not included in the computation because the options were out of the money. No adjustments were required to reported earnings and cash flow from operations in computing diluted per share amounts.

Prior period diluted earnings and cash flow from operations per share have been restated for this change. As a result of this change in accounting policy, diluted earnings per share was not effected and diluted cash flow from operations per share was increased by $0.01 in 2000.

7. ***Financial instruments:***

(a) Credit risk:

A significant portion of the Company's trade accounts receivable are from working interest partners in the oil and gas industry and are subject to normal credit risks.

(b) Fair value:

The carrying value of the Company's financial instruments, being cash and term deposits, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the short-term to maturity.

8. ***Related party transactions:***

The Company paid $58,500 (1999 – $108,000) for management and administrative services to a company with common directors. All transactions were in the normal course of operations and have been recorded at the exchange amount.

CORPORATE GOVERNANCE

The Toronto Stock Exchange requires each listed company to disclose its corporate governance practices with reference to guidelines set out in the "Report of The Toronto Stock Exchange Committee on Corporate Governance in Canada". Although TriQuest is not a TSE listed company, the Board and Management consider good corporate governance to be central to maintaining effective and efficient corporate operations. In accordance with the Governance Guidelines, the following analysis outlines TriQuest's approach and practices to corporate governance.

The Board and Management are responsible for ensuring that the business and affairs of the Company are managed properly to protect and enhance shareholder value. While Management operates with a considerable degree of autonomy for day-to-day operating decisions and for developing overall corporate strategy, the Board meets with Management on a regular basis for those decisions requiring Board consideration and the Board must approve all issues of significance in advance. At a minimum, the Board meets each quarter, and more often as circumstances require. More specifically, the Board: (i) reviews and approves the implementation of the corporate strategy, including strategic planning and business development initiatives, and recommends changes and modifications; (ii) approves annual operating and capital budgets and long-term debt parameters within which management is expected to operate; (iii) approves acquisitions, dispositions or those expenditures exceeding specified limits; (iv) approves the issuance of shares and stock options, (v) reviews and approves disclosure and financing documents, (vi) reviews and approves any proposed future hedging transactions, (vii) approves the appointment of Company officers and executive compensation; and (viii) reviews overall corporate performance against defined established objectives.

The Board believes that it operates effectively at its current size of five directors and there are no plans currently to alter the size or composition of the existing Board. Four directors, including the Chairman of the Board, are independent of Management and are otherwise unrelated, that is, free from any interests that could interfere with their ability to act in the best interests of the Company. The President and Chief Executive Officer is the only member of Management who is a director. TriQuest has two large shareholders - Quantum Energy Partners, represented on the Board by Mr. Neugebauer (22.4% of the basic shares, 20.8% fully diluted) and ARC Canadian Venture Fund, without direct Board representation (19.4%, 17.8% fully diluted). At the present time there is no formal process to recruit new nominees to the Board or to assess performance of the Board as a whole or on an individual basis. The Chair is a non-executive position.

The Board has no formal orientation or education programs for new Board members. Management does, however, review technical and financial results and prospects for the Directors at Board meetings as well as periodic informal meetings. Management is readily available to the Board or individual Directors for consultation.

Given the size and stage of the Company, distinct Nominating, Environmental, Governance, Reserves, and Executive Committees have not yet been formed. The entire Board is responsible for these activities. The Board will continue to evaluate the need to form these committees.

The Audit Committee consists entirely of outside Directors (Messrs. Hotchkiss, Neugebauer and Richardson) and is responsible for: (i) ensuring that management maintains appropriate internal controls over accounting and financial reporting systems; and (ii) reviewing and approving the Company's financial statements and independent reserves evaluation. This Committee has direct access to the Company's external auditors and independent engineers, and meets separately with each group as required.

Compensation issues for Directors are reviewed on an annual basis. Director compensation is not restricted to the granting of stock options; there is alignment with the shareholders' interests in that each Director has purchased significant equity interest in the Company.

The Board believes that it is Management's responsibility to communicate with shareholders and the investment community on a regular basis. In turn, Management informs the Board of these discussions. In addition, the Board carefully reviews and approves dissemination of all public information, including press releases, interim and annual financial and operating results, Annual Information Forms, Annual Reports and Management Information Circulars.

Board of Directors

Brock W. Gibson, Corporate Secretary
Partner, Blake, Cassels & Graydon LLP

Mr. Gibson has been a barrister and solicitor with the law firm of Blake, Cassels & Graydon since 1994. He is a senior partner with a practice focused on securities and corporate/commercial work, and has experience in structuring and negotiating corporate, securities and financing transactions, primarily involving energy and technology companies. Mr. Gibson is senior counsel to TSE and CDNX listed companies and is a director or officer of several such companies. He attended the University of Saskatchewan College of Commerce and is a law graduate from the University of Calgary.

Harley N. Hotchkiss, O.C., Director
President, Spartan Holdings Ltd.

Mr. Hotchkiss is President of Spartan Holdings Ltd., a private company managing private investments in oil and gas, real estate, agriculture and professional sports. He is a Director of The Hockey Hall of Fame, Governor of the Calgary Flames Hockey Club, and Chairman of the Board of Governors of the National Hockey League. Past Chairman of the Foothills Hospital, he now serves as Chairman of the Board of Trustees of the Alberta Heritage Foundation for Medical Research. A geology graduate from Michigan State University, Mr. Hotchkiss is an Officer of the Order of Canada, a Member of the Alberta Order of Excellence and holds an Honorary Doctor of Laws degree from the University of Calgary and an Honorary Doctor of Science degree from Michigan State University.

Gordon J. Hoy, Director

A description of Mr. Hoy is detailed in the Management Team section

Toby R. Neugebauer, Director
Principal, Quantum Energy Partners LP

Mr. Neugebauer is a co-founder and principal of Quantum Energy Partners, a Houston-based private equity fund that participates in equity investments in companies that are engaged in building oil and gas reserves and assets. Mr. Neugebauer is responsible for co-managing the daily activities of Quantum, including sourcing, transaction execution, and the monitoring of portfolio company performance. Mr. Neugebauer graduated from New York University with a Bachelor of Science degree in Finance.

Gordon W. Phillips, Chairman of the Board
Chairman, Guard Resources Ltd.

Mr. Phillips is Chief Executive Officer and a director of Guard Resources, a private company which manages and directs oil and gas investments for many of Canada's largest institutional investors. He is also President of OMERS Resources Limited, Superman Resources Inc., Wembley Resources Ltd., and Vice-President of HOOPP Resources Inc. Mr. Phillips graduated from the University of Calgary with a Bachelor of Commerce degree.

James A. Richardson, Director
Vice President, James Richardson & Sons, Limited

Mr. Richardson is Vice-President of James Richardson & Sons, Limited and President of Richardson Oil & Gas Limited. He serves on the boards of several Canadian corporations, including James Richardson International Limited and Lombard Realty Limited. Mr. Richardson also serves on the Boards of several Canadian charitable organizations and is Chairman of the Institute for Wetland and Waterfowl Research and the Nature Conservancy of Canada (Manitoba Region). He was also the Chair of Sport for the 1999 Pan American Games. Mr. Richardson graduated from Queens University with a Bachelor of Arts degree in Economics and Political Science.

Management Team

TriQuest's management philosophy is based on an integrated team approach. This team has worked together for many years and has complementary skills in key multi-disciplinary functional areas.

Gordon J. Hoy, President, C.E.O. & C.F.O.

Mr. Hoy is responsible for developing and implementing company policies, standards and long-range strategic plans. He manages the Company's financial and administrative affairs, and is responsible for investor relations. Mr. Hoy is also responsible for the marketing natural gas, crude oil and natural gas liquids production. He has 23 years of experience in the oil and gas industry in the areas of finance and corporate planning, marketing, economic evaluations, and reservoir engineering.

Mr. Hoy graduated from the University of Toronto in 1978 with a Bachelor of Applied Science (Honours) degree in Chemical Engineering, and in 1985 from the University of Calgary with a Masters in Business Administration in Finance.

Bruce D. Gigg, Vice-President, Engineering & Development

Mr. Gigg is responsible managing all engineering functions related to development, exploration, production and acquisition activities. He has 25 years of experience in the oil and gas industry in the areas of reservoir engineering and well test analysis, production engineering, acquisitions and divestitures, economic evaluations and capital budgeting, and strategic planning.

Mr. Gigg graduated from Queens University in 1976 with a Bachelor of Science (Honours) degree in Engineering and Mathematics, and in 1991 completed the Executive Development Program at Cornell University.

Left to Right: Gordon J. Hoy, Bruce D. Gigg

Bill Marshall, Senior Exploration Geologist

Mr. Marshall is responsible for generating and evaluating prospects within the framework of the exploration philosophy of the Company. He brings 16 years of oil & gas experience in the areas of geologic prospecting and evaluation, log analysis, petrophysics and exploration planning.

Mr. Marshall obtained a Bachelor of Science degree in Geology from the University of Calgary in 1984.

James R. Morrice, Vice-President, Land

Mr. Morrice is responsible for developing and implementing TriQuest's land strategy and for the acquisition and administration of its land base. He has 22 years of experience in the oil and gas industry in the areas of contract negotiations, joint ventures and land and contract administration. Prior to joining the oil and gas industry, Mr. Morrice spent 7 years in commercial banking.

He obtained a Bachelor of Commerce degree from the St. Mary's University in 1970.

Richard K. Rathier, Vice-President, Exploration

Mr. Rathier is responsible for developing and directing TriQuest's exploration philosophy. He manages all geological functions relating to exploration and development activities. He has 24 years of oil and gas experience in the areas of prospect generation, development optimization, well logging, petrophysics, petrography, and strategic planning.

He obtained a Bachelor of Science (Honours) degree in Geology from Carleton University in 1978, and completed the Western Executive Program of the University of Western Ontario in 1989.

Left to Right: James R. Morrice, Richard K. Rathier, Bill Marshall

ABBREVIATIONS AND TERMS

Abbreviations

ARTC	Alberta Royalty Tax Credit
bbl	barrels (of oil or natural gas liquids)
bcf	billions of cubic feet (of natural gas)
bcfe	bcf equivalent
boe	barrel of oil equivalent
D&A	dry and abandoned
D&C	drill and complete
GJ	gigajoule
mcf	thousands of cubic feet (of natural gas)
mcfe	mcf equivalent (1 barrel of oil/natural gas liquids = 10 mcfe)
mmcf	millions of cubic feet (of natural gas)
mmcfe	mmcf equivalent
mstb	thousands of barrels (of oil or natural gas liquids)
NGL's	natural gas liquids (propane, butanes and condensate)
/d	per day

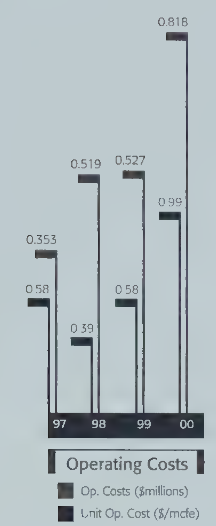
Glossary of Terms

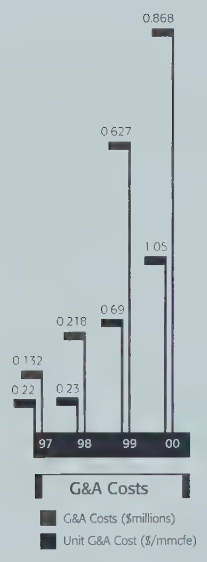
Discretionary Netback	Operating income less general and administrative expenses.
Established Reserves	Proved reserves plus 50% of probable reserves.
Recycle Ratio	Operating netback divided by reserve replacement costs. This is a measure of a Corporation's ability to create value through reserve additions.
Reserve Replacement Cost	Capital expenditures including acquisitions, divided by established reserve additions. This is a measure of how efficiently a Corporation has employed capital to add reserves.
Reserve Replacement Ratio	Established reserve additions divided by annual production volumes. This is a measure of how effective a Corporation was in replacing annual production volumes.
Reserve Life Index	Year-end established reserves divided by annual production volumes. This is a measure of the life span of a Corporation's reserve base if current production levels were held constant.

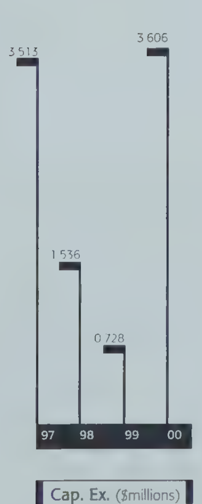
Metric Conversion Factors

IMPERIAL	METRIC
1 acre	0.405 hectares (ha)
1 bbl	0.159 cubic meters (m^3)
1 foot	0.3048 meters
1 mcf	0.02817 thousand cubic meters (10^3m^3)
1 mmbtu	1.0549 gigajoules (GJ)
1 mile	1.609 kilometres (km)

FOUR YEAR HIGHLIGHTS



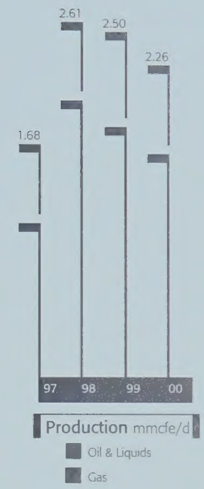


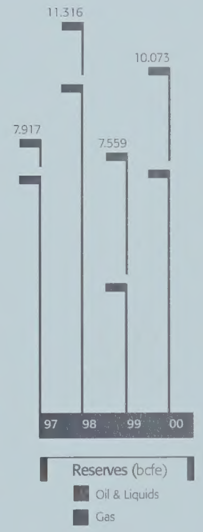


	2000	1999	1998	1997
Financial ($, except for per share information)				
Gross Oil & Gas Sales	3,687,745	2,166,295	1,741,132	1,270,899
Royalties, Net of ARTC	(576,310)	(368,735)	(121,667)	(167,980)
Operating Costs	(818,388)	(526,977)	(518,594)	(353,283)
Net Operating Income	2,293,047	1,270,583	1,100,871	749,636
Other Income	546,457	151,935	0	1,924
Interest Expense	0	(32,615)	(56,545)	(17,955)
Current Income Taxes	(13,000)	(13,000)	0	0
General & Administrative	(867,700)	(626,715)	(218,222)	(132,087)
Cash Flow From Operations	1,958,804	750,188	826,104	601,518
Depletion & Depreciation	(433,630)	(510,002)	(486,000)	(347,000)
Site Restoration	(65,500)	(87,449)	(7,000)	(35,000)
Extraordinary Income/(Loss)	0	0	0	698,727
Future Income Taxes	(708,000)	(52,233)	(102,100)	(399,242)
Net Income:				
$	751,674	100,504	231,004	519,003
$/basic share	0.02	0.01	0.03	0.10
$/diluted share*	0.02	0.01	0.03	0.09
Net Capital Expenditures	3,606,256	728,121	1,536,274	3,512,515
Long-Term-Debt @ Year-End	0	0	850,701	1,108,695
Shareholders' Equity	16,198,387	15,532,113	3,119,702	1,392,460
Working Capital @ Year-End	9,492,153	11,251,143	247,715	(252,111)
Share Price:				
High	$0.63	$1.00	$0.75	$1.50
Low	$0.36	$0.23	$0.31	$0.80
Close	$0.50	$0.60	$0.34	$0.80
Trading Volume	4,708,250	809,080	516,200	636,700
Basic Shares @ Year-End	35,045,000	35,005,000	9,115,000	6,010,000
Outstanding Options @ Year-End	3,180,000	2,970,000	590,000	590,000
Fully Diluted Shares @ Year-End	38,225,000	37,975,000	9,705,000	6,600,000
Average Daily Production				
Natural Gas (mmcf/d)	1.61	1.79	2.00	1.11
Natural Gas Liquids (bbl/d)	1	2	3	2
Oil (bbl/d)	63	69	58	55
Gas Equivalents (mmcfe/d):				
@ 10:1	2.26	2.50	2.61	1.68
@ 6:1	2.00	2.22	2.37	1.45
Oil Equivalents (boe/d):				
@ 10:1	226	250	261	168
@ 6:1	333	369	394	242
Per Unit Statistics ($/mcfe @ 10:1)				
Average Price	4.46	2.37	1.83	2.08
Royalty Costs, net of ARTC	(0.70)	(0.40)	(0.13)	(0.27)
Operating Costs	(0.99)	(0.58)	(0.54)	(0.58)
Operating Netback	2.77	1.39	1.16	1.23
General & Administrative	(1.05)	(0.69)	(0.23)	(0.22)
Large Corporations Tax	(0.02)	(0.01)	0	0
Other Income / (Loss)	0.66	0.13	(0.06)	(0.03)
Cash Flow From Operations	2.37	0.82	0.87	0.98

* diluted share figures for 1999 and 2000; fully diluted share figures for all prior years

	2000	1999	1998	1997
Proven Producing Reserves @ Year-End (Gross Company)				
Natural Gas (bcf)	5.080	4.704	5.136	2.286
Natural Gas Liquids (mstb)	16.5	0.2	5.0	0.1
Oil (mstb)	142.2	170.7	214.7	61.8
Gas Equivalents (bcfe):				
@ 10:1	6.667	6.413	7.333	2.905
@ 6:1	6.032	5.730	6.454	2.657
Oil Equivalents (mstbe):				
@ 10:1	666.7	641.3	733.3	290.5
@ 6:1	1,005.4	954.9	1,075.7	442.9
Total Proven Reserves @ Year-End (Gross Company)				
Natural Gas (bcf)	6.364	4.704	6.337	6.218
Natural Gas Liquids (mstb)	24.2	0.2	5.0	0.1
Oil (mstb)	174.5	203.0	368.4	61.8
Gas Equivalents (bcfe):				
@ 10:1	8.351	6.736	10.071	6.837
@ 6:1	7.556	5.923	8.577	6.589
Oil Equivalents (mstbe):				
@ 10:1	835.1	673.6	1,007.1	683.7
@ 6:1	1,259.4	987.2	1,429.6	1,098.2
Probable Reserves @ Year-End (Gross Company)				
Natural Gas (bcf)	2.493	0.885	2.120	2.001
Natural Gas Liquids (mstb)	11.1	0.0	8.8	1.5
Oil (mstb)	84.1	76.4	28.4	14.2
Gas Equivalents (bcfe):				
@ 10:1	3.445	1.649	2.492	2.158
@ 6:1	3.064	1.343	2.343	2.095
Oil Equivalents (mstbe):				
@ 10:1	344.5	164.9	249.2	215.8
@ 6:1	510.7	223.9	390.5	349.2
Established Reserves @ Year-End (Gross Company)				
Natural Gas (bcf)	7.611	5.146	7.396	7.219
Natural Gas Liquids (mstb)	29.8	0.2	9.4	0.9
Oil (mstb)	216.5	241.1	382.6	68.9
Gas Equivalents (bcfe):				
@ 10:1	10.073	7.559	11.316	7.917
@ 6:1	9.088	6.594	9.748	7.638
Oil Equivalents (mstbe):				
@ 10:1	1,007.3	755.9	1,131.6	791.7
@ 6:1	1,513.0	1,099.0	1,624.7	1,273.0
Established Reserves Life Index (@ Year-End)				
@ 10:1	10.9	8.3	11.9	12.9
Land Position @ Year-End				
Gross/Net Acres (000's)	204.6/78.0	129.8/44.4	142.0/40.7	103.8/39.8
Average Working Interest	38%	34%	29%	28%
Gross/Net Option Acreage (000's)	21.7/16.5	20.2/10.4	0.0/0.0	0.0/0.0
Wells Drilled				
Gross	6	17	2	41
Net	2.8	3.1	0.2	9.2
Average Working Interest	46%	18%	10%	22%
Full Time Employees @ Year-End	5	4	0	0





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Trading Symbol: TRI

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Toby R. Neugebauer
Gordon W. Phillips (Chairman)
James A. Richardson

Officers
Brock W. Gibson
Bruce D. Gigg
Gordon J. Hoy
James R. Morrice
Richard K. Rathier

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